



# Treasury Financial Manual

Transmittal Letter No. 670

Volume I

To: Heads of Government Departments, Agencies, and Others Concerned

## 1. Purpose

This transmittal letter releases new TFM Volume I, Part 6, Chapter 3200: Policy for Providing Depositary and Other Financial Services to Federal Agencies. This chapter describes the factors that determine when the Financial Management Service (FMS) will pay for certain collection and payment services and when FMS will require a Federal agency to reimburse it for the cost of such services.

## 2. Page Changes

### Delete

Table of Contents for Part 6 (T/L 669)

Table of Contents for Volume I (T/L 668)

### Insert

I TFM 6-3200

Table of Contents for Part 6

Table of Contents for Volume I

## 3. Effective Date

This transmittal letter is effective immediately.

## 4. Inquiries

Direct questions concerning this transmittal letter to:

Director  
Bank Policy and Oversight Division  
Federal Finance  
Financial Management Service  
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Washington, DC 20227  
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David A. Lebryk  
Commissioner

Date: November 8, 2011

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## ***Part 6—Chapter 3200***

# ***Policy for Providing Depositary and Other Financial Services to Federal Agencies***

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**This chapter describes the factors that determine when the Financial Management Service (FMS) will pay for certain collection and payment services and when FMS will require a Federal agency to reimburse it for the cost of such services.**

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### **Section 3210—Background**

The Federal Finance Assistant Commissioner area (Federal Finance) and the Payment Management Assistant Commissioner area (Payment Management) of FMS provide depositary and other financial services to Federal agencies using a network of Federal Reserve Banks (FRBs) and financial institutions designated by FMS to act as depositories and/or fiscal and financial agents. In general, FMS provides to other Federal agencies a range of collection and payment services at no cost to the agency. In some cases, FMS may offer to other Federal agencies, on a reimbursable basis, specialized services that are related to but outside of the scope of the collection or payment process, or alternatively, a new customized solution that is not currently part of FMS's menu of services.

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### **Section 3215—Authority**

The Secretary of the Treasury has authority to collect receipts and pay funds drawn on the Treasury (31 U.S.C. § 321, 3301, 3321).

Unless otherwise authorized, all public money must be deposited in the Treasury or with depositories designated by the Secretary (31

U.S.C. § 3302). To collect public money, the Secretary may offer a variety of collection services. The Secretary is authorized to charge a fee to any agency that fails to deposit its funds in a timely manner (31 U.S.C. § 3720).

Except as provided by statute or delegated to other agencies by the Secretary, only officers and employees of the U.S. Department of the Treasury may disburse public money (31 U.S.C. § 3321). The Secretary may designate a depository to pay public money (31 U.S.C. § 3327). The Secretary is authorized to charge a fee to any agency that fails to disburse its funds in a timely manner (31 U.S.C. § 3335).

The Secretary may designate a financial institution as a depository and/or financial agent, and when acting as a depository or agent, that financial institution must perform all such reasonable duties as the Secretary requires (12 U.S.C. § 90, 265, and similar statutes). FRBs are Treasury's fiscal agents pursuant to Federal law (12 U.S.C. § 391).

The Secretary has delegated these responsibilities to FMS, a bureau of the U.S. Department of the Treasury.

### **Section 3220—Legally Required Services**

Federal agencies receiving or holding public money from any source are statutorily required to deposit these funds into the U.S. Treasury, unless otherwise authorized by law. Except as otherwise provided by law, FMS, as part of its mission, is the agency responsible for collecting, holding, disbursing, and accounting for public money on behalf of most Federal agencies. Consequently, Federal agencies generally may not hold public money outside of the U.S. Treasury and must deposit all public money into an account in the name of the U.S. Treasury using one of the various collection mechanisms established by FMS.

FMS provides these financial services to Federal agencies using fiscal or designated financial agents or depositories, generally at no cost to the agency. These services, referred to as "nonreimbursable" services in this document, typically encompass depository services and standard remittance processing for disbursement, collection, and accounting for the settlement of funds.

Examples of services that Federal agencies must obtain from FMS include:

- Collection of fees, fines, or other monies;
- Deposit of monies into an account at a financial institution;

AND

- Disbursement of funds to the public.

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### **Section 3225—Legally Authorized Services**

FMS is authorized to perform other financial services reasonably related to its core mission of providing central collection and payment services to Federal agencies.

Examples of services that FMS is legally authorized, but not required, to provide to Federal agencies include:

- Lockbox-related services, such as detail sorting, special handling, photo-copying, custom file assembly, and issuance of receipts;

AND

- Custom cash management and other financial services in closed environments, such as military bases or Federal prisons.

Legally authorized services may be provided on either a reimbursable or nonreimbursable basis. Section 3235 discusses the criteria that FMS considers when determining whether a service should be provided on a reimbursable or nonreimbursable basis.

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### **Section 3230—Existing and Best-Suited FMS Collections and Payment Mechanisms**

FMS continuously strives to improve the Government's overall

cash management by working with Federal agencies to determine the most cost-efficient and effective cash management methods that will meet agencies' missions and goals. In most cases, FMS's existing array of depositary and financial services are the most cost-efficient and effective cash management methods of meeting an agency's requirements.

FMS has sole discretion to decide which of its existing services provide the most efficient, cost-effective, and/or best-suited mechanism for a particular agency's needs. If an agency chooses not to use the most efficient mechanism provided by FMS, then an agency may have to pay for those services along with an inefficiency charge imposed by FMS.

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### **Section 3235—Criteria for Determining Whether a Financial Service Will Be Provided on a Reimbursable or Nonreimbursable Basis**

The determination of whether FMS will provide a particular financial service on a reimbursable or nonreimbursable basis depends on several factors. In general, FMS is more likely to decide to provide a particular financial service on a nonreimbursable basis when it determines, in its sole discretion, that one or more of the following apply:

- The financial service directly facilitates the timely processing of collections or payments;
- The financial service has a significant positive impact on the ability to manage the Government's cash position or account for funds;
- The information required to be gathered with a transaction does not hinder the timely

deposit of the collection or processing of the payment;

- Only Treasury-designated agents and depositaries, or an FMS-approved subcontractor, may provide the service (that is, collecting, holding, disbursing, or accounting for public money), as opposed to financial services that the agency may perform or acquire on its own;
- The financial service advances more effective and centralized collections or payments;
- The financial service is for a collection other than a user fee (user fees should be priced to include the cost of collections and therefore should be reimbursed);
- The financial service is, or with minimal effort can be, offered Governmentwide, as opposed to a service that is customized for the needs of only one or a few agencies;

OR

- FMS believes that providing the financial service is in the best interests of the Government.

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### **Section 3240—Economy Act Considerations**

FMS expects Federal agencies to fulfill the requirements imposed on them under the Economy Act (31 U.S.C. § 1535). It is the sole responsibility of the Federal agency seeking reimbursable services from FMS to ensure its agency's compliance with the Economy Act.

## ***Contacts***

***Contact the office below with inquiries or written requests.***

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## PART 6 - OTHER FISCAL MATTERS

### TABLE OF CONTENTS

Chapter	Section	Title
<b>1000</b>		<b>INTRODUCTION</b>
	1010	Scope and Applicability
	1015	Authority
	1020	Standard and Prescribed Forms
	1025	Contacts Page
	1030	Distribution
		Contacts
<b>2000</b>		<b>CASH ADVANCES UNDER FEDERAL GRANT AND OTHER PROGRAMS</b>
	2010	Scope and Applicability
	2015	Authority
	2020	Definition of Terms
	2025	Limitation and Timing of Cash Advances
	2030	Direct Treasury Check Method
	2035	Letter of Credit
	2040	Letter-of-Credit Method
	2045	Forms Prescribed for Procedures in this Chapter
	2050	Preparation of Forms
	2055	Modified Letter-of-Credit Techniques
	2060	Accounting and Reporting Requirements for Letter-of-Credit Transactions
	2065	Instructions to Secondary Recipients
	2070	Termination of Advance Methods of Financing Grant and Other Programs
	2075	Responsibilities of Federal Program Agencies
	2080	Waivers
	2095	Inquiries
		Appendices
		1. Treasury Department Circular No. 1075
		2. FMS Form 5401: Payment Voucher on Letter of Credit
		3. FMS Form 6652: Statement of Differences - Disbursing Office Transactions
		Letters of Credit Payment Vouchers for Month
		of _____ 19 _____
		4. SF 210: Signature/Designation Card for Certifying Officer
		5. SF 1194: Authorized Signature Card for Payment Vouchers on Letter of Credit
		6. SF 1193: Letter of Credit
		Explanation of Certain Information to be Included on the SF 1193, Letter of Credit

Chapter	Section	Title
<b>3000</b>		<b>PAYMENTS OF UNCLAIMED MONEYS AND REFUND OF MONEYS ERRONEOUSLY RECEIVED AND COVERED</b>
	3010	Authority
	3015	Responsibility of Agencies To Dispose of Unclaimed Moneys
	3020	Review of Agency Unclaimed Money Accounts
	3025	Procedures for Transferring Unclaimed Moneys
	3030	Reporting of Transfers
	3035	Settlement Action
	3040	Payments Made from Account 20X6133, "Payment of Unclaimed Moneys"
	3045	Procedures for Using Account 20X1807, "Refund of Moneys Erroneously Received and Covered"
	3050	Payments from Account 20X1807
	3055	Internal Audit by Agencies
	3060	Maintenance of Records
	3065	Special Reporting
		Contacts
<b>3100</b>		<b>CERTIFYING PAYMENTS AND RECORDING CORRESPONDING INTRAGOVERNMENTAL RECEIVABLES IN THE FEDERAL GOVERNMENT'S JUDGMENT FUND</b>
	3110	Scope and Applicability
	3115	Authority
	3120	The Financial Management Service's (FMS's) Role in Certifying Payments From the Judgment Fund
	3125	General Guidance for Certification of Payments
	3130	Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism
	3135	Agencies' Reimbursement Obligations
	3140	Accounting Requirements for Judgment Fund Payments and Reimbursements
		Contacts
		Appendices
		1. FMS Form 194: Judgment Fund Transmittal
		2. FMS Form 196: Judgment Fund Award Data Sheet
		3. FMS Forms 197 I: Instructions for FMS Form 197: Voucher for Payment
		FMS Form 197: Judgment Fund Voucher for Payment
<b>3200</b>		<b>POLICY FOR PROVIDING DEPOSITARY AND OTHER FINANCIAL SERVICES TO FEDERAL AGENCIES</b>
	3210	Background
	3215	Authority
	3220	Legally Required Services
	3225	Legally Authorized Services
	3230	Existing and Best-Suited FMS Collections and Payment Mechanisms
	3235	Criteria for Determining Whether a Financial Service Will Be Provided on a Reimbursable or Nonreimbursable Basis
	3240	Economy Act Considerations
		Contacts



<b>Chapter</b>	<b>Section</b>	<b>Title</b>
<b>4000</b>		<b>INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) SYSTEM</b>
	4010	Authority
	4015	Introduction
	4020	Definitions
	4025	Originating Intragovernmental/IPAC Transactions
	4030	Recording and Reporting Automated Interagency Transactions
	4035	Adjustments of Erroneous Charges
	4040	Restrictions
		Contacts
<b>5100</b>		<b>RECOVERING UNCLAIMED FEDERAL FINANCIAL ASSETS</b>
	5110	Authority
	5115	Background
	5120	Designating Agency Asset Recovery Contact
	5125	General Guidelines for Agency Procedures
	5130	Using Finders
		Contacts
		Appendix: Unclaimed Property Offices
<b>7000</b>		<b>REPORTING INTEGRATED FUNDING TRANSACTIONS OF FEDERAL ASSISTANCE PROGRAMS</b>
	7010	Scope and Applicability
	7015	Authority
	7030	Definitions
	7040	Reporting Requirements
	7050	Operating Requirements
	7095	Inquiries
		Appendix: SF 224 (Illustration)
<b>8000</b>		<b>CASH MANAGEMENT</b>
	8010	Scope and Applicability
	8015	Authority
	8020	Definition of Terms
	8025	Billings and Collections
	8030	Deposits
	8040	Disbursements
	8050	Cash Advances
	8060	Cash Held Outside Treasury
	8065	Restrictions on Financial Transactions with Foreign Countries and International Organizations
	8070	Foreign Currency
	8075	Review, Monitoring, and Reporting of Agency Cash Management
	8080	Noncompliance with Collection, Deposit or Disbursement Improvements

Chapter	Section	Title
	8085	Cash Management Improvements Fund (CMIF)
	8090	Waivers, Exemptions, and Other Applicable Regulations
		Contacts

**8500****CASH FORECASTING REQUIREMENTS**

8510	Scope and Applicability
8515	Authority
8520	Definitions
8525	Background and Concepts
8530	General Reporting Requirements
8535	Specific Reporting Requirements
	Contacts
	Appendices
	1. Examples of Large Deposits and Payments To Be Reported to FMS' Funds Control Branch
	2. FMS Form 187: Agency Report for Treasury Cash Forecasting Advance Notice of Large Deposits or Payments of \$50 Million or More
	3. FMS Form 188: Military Report for Treasury Cash Forecasting Advance Reporting of U.S. Military Pay
	4. FMS Form 190: Military Report for Treasury Cash Forecasting Advance Reporting of U.S. Military Retiree Pay
	5. FMS Form 189: Defense Report for Treasury Cash Forecasting Advance Reporting of Defense Department Payments to Vendors

**9000****SECURING GOVERNMENT DEPOSITS IN FEDERAL AGENCY ACCOUNTS**

9010	Introduction
9015	Authority
9020	Definition of Terms
9025	Responsibilities for Public Money
9030	Selection of a Depositary
9035	Establishing a Federal Agency Account
9040	Securing Agency Accounts
9045	Pledging Collateral
9050	Releasing Collateral
9055	Monitoring Collateral Levels
9060	Mergers and Insolvencies
	Contacts
	Appendix: Federal Agency Collateral Contact Information

# TREASURY FINANCIAL MANUAL

## TABLE OF CONTENTS

Part	Chapter	Title
<b>1</b>		<b>INTRODUCTION</b>
	1000	Purpose and Plan of the Treasury Financial Manual (TFM)
	2000	Financial Operations Startup Procedures for New Federal Entities
<b>2</b>		<b>CENTRAL ACCOUNTING AND REPORTING</b>
	1000	Introduction
	1500	Description of Accounts Relating to Financial Operations
	2000	Warrant and Nonexpenditure Transfer (NET) Transactions
	2500	Expenditure Transactions Between Appropriation, Fund, and Receipt Accounts
	3100	Instructions for Disbursing Officers' Reports
	3200	Foreign Currency Accounting and Reporting
	3300	Statement of Transactions (FMS 224) Reporting by Agencies for Which the Treasury Disburses
	3400	Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury
	3500	Daily Transmittal for Internal Revenue Service
	3900	Reconciliation to Financial Management Service (FMS) Accounting Results
	4100	Debt Management Reports
	4200	Agency Reporting on Unexpended Balances of Appropriations and Funds (Federal Agencies' Centralized Trial-Balance System II, FMS Form 2108: Year-End Closing Statement)
	4300	Reporting Instructions for Accounts Invested in Department of the Treasury Securities
	4500	Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners
	4600	Treasury Reporting Instructions for Credit Reform Legislation
	4700	Agency Reporting Requirements for the <i>Financial Report of the United States Government</i>
	5000	Accounting and Reporting on Monetary Assets (Non Operating Cash Items) Held by U.S. Treasury Offices
	5100	Reconciling Fund Balance With Treasury Accounts
<b>3</b>		<b>PAYROLLS, DEDUCTIONS, AND WITHHOLDINGS</b>
	1000	Introduction
	2000	Payroll Vouchers
	3000	Payments to the Office of Personnel Management for Health Benefits, Group Life Insurance, and Civil Service Retirement
	4000	Federal Income, Social Security, and Medicare Taxes
	5000	Withholding of District of Columbia, State, City, and County Income or Employment Taxes

<b>Part</b>	<b>Chapter</b>	<b>Title</b>
<b>4</b>		<b>DISBURSING</b>
	1000	Introduction
	1100	Delegations and Designations of Authority for Disbursing-Related Functions
	1500	Treasury's Electronic Funds Transfer (EFT) Requirement
	2000	Payment Issue Disbursing Procedures
	2100	Submitting Required Improper Payments Information for Publication on the PaymentAccuracy.gov Web Site
	3000	Third-Party Draft Procedures for Imprest Fund Disbursing Activities
	4000	Debt Management Services Collection of Delinquent Nontax Debt
	4500	Government Purchase Cards
	5000	Requisitioning, Preparing, and Issuing Treasury Checks
	6000	Checking Accounts With the U.S. Treasury
	7000	Cancellations, Deposits, and Claims for Checks Drawn on the U.S. Treasury
	7100	Check Reclamations
	8000	Designated Depository Checking Accounts
	9000	Foreign Exchange
	10000	Delegation of Disbursing Authority
<b>5</b>		<b>DEPOSIT REGULATIONS</b>
	1000	Introduction
	2000	Checks and Cash Received in Collections
	4000	Making Deposits
	4100	Requirements for Using Depositories To Hold Public Money
	4500	Deposits to Treasury Through the Fedwire Deposit System
	4600	Treasury Automated Lockbox Network
	4700	Plastic Card Collection Network
	5000	Uncollected and Lost Checks
	6000	Disposition of Foreign Currency and Checks Drawn on Foreign Banks
<b>6</b>		<b>OTHER FISCAL MATTERS</b>
	1000	Introduction
	2000	Cash Advances Under Federal Grant and Other Programs
	3000	Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered
	3100	Certifying Payments and Recording Corresponding Intragovernmental Receivables in the Federal Government's Judgment Fund
	3200	Policy for Providing Depository and Other Financial Services to Federal Agencies
	4000	Intra-Governmental Payment and Collection (IPAC) System
	5100	Recovering Unclaimed Federal Financial Assets
	6000	Payment Procedures Upon Expiration of an Appropriation or a Continuing Resolution
	7000	Reporting Integrated Funding Transactions of Federal Assistance Programs
	8000	Cash Management
	8500	Cash Forecasting Requirements
	9000	Securing Government Deposits in Federal Agency Accounts